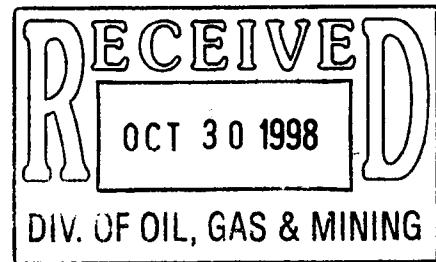


STATE OF UTAH
OFFICE OF THE ATTORNEY GENERAL



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October 29, 1998

Ms. Mary Ann Wright
Associate Director of Mining
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801

Re: In re Jumbo Mining Co., U.S. Bankruptcy Court for the Western District
of Texas, Case No. 97-14326FM (Chapter 7)

Dear Mary Ann:

This is an update on the status of the Jumbo Mining Co. ("JMC") bankruptcy matter, in which I am counsel to the Board of Oil, Gas & Mining (the "Board") and Dan Moquin is counsel to the Division of Oil, Gas & Mining ("DOGM").

I am pleased to report that, on October 26, 1998, Judge Frank R. Monroe, acting for the U.S. Bankruptcy Court for the Western District of Texas, Austin Division, entered that certain "Agreed Order Approving First Stipulation and Motion by the Trustee and the Utah Division of Oil, Gas & Mining for an Order Pertaining to the Drum Mine in Utah (With Proof of Claim)" (the "Order"). A copy of the Order is enclosed.

The following three paragraphs in the court-approved First Stipulation authorize DOGM to accomplish an immediate forfeiture of JMC's reclamation bond (i.e., without the need for the Board to hold further bond forfeiture administrative proceedings):

"23. The Trustee Waives the Debtor's Objection to the DOGM Finding that the Debtor's Mining Operation Permanently Has Stopped.--Effective at least as early as of the petition date (i.e., November 10, 1997), the Trustee admits the DOGM Finding that the Debtor permanently has ceased its Mining Operation at the Drum Mine. The Trustee hereby waives all pre-petition filings by

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the Debtor wherein the Debtor heretofore had contested that DOGM Finding.

24. The Trustee Waives the Debtor Right to Object, if at all, to the Immediate Forfeiture to DOGM of the Debtor's Reclamation Collateral.--The Stipulating Parties agree that DOGM, through the State of Utah's Department of Finance, is holding \$162,000 in Treasury Bills (the "Reclamation Collateral"). The Reclamation Collateral was placed by the Debtor with DOGM on a pre-petition basis several years ago to secure the Debtor's Reclamation Obligation at the Drum Mine. The Trustee hereby stipulates that said Reclamation Collateral shall, upon the entry of an order of the U.S. Bankruptcy Court approving this stipulation and motion, immediately, and without the need for further Board notice, Board hearings or Board orders, be forfeited to DOGM, and that DOGM shall be allowed to expend the Reclamation Collateral on Reclamation on the Land Affected at the Drum Mine in the manner allowed by the Utah Act, the administrative rules, regulations, and orders adopted pursuant thereto, and any applicable state-federal memoranda of understandings. Since the Stipulating Parties agree that the Debtor has permanently ceased its Mining Operation at the Drum Mine, but has left the Drum Mine in a non-reclaimed status, the Stipulating Parties expressly intend by this paragraph of the stipulation and motion to eliminate the need and expense for DOGM to institute costly, protracted litigation against the Debtor and the Trustee, either before the Board or the U.S. Bankruptcy Court, to secure forfeiture of the Reclamation Collateral. The Stipulating Parties agree that the outcome of such proceedings, whether before the Board or the U.S. Bankruptcy Court, ultimately and properly would result in an award of the Reclamation Collateral to DOGM. The Stipulating Parties agree that even if the automatic stay does apply to the Reclamation Collateral, as claimed by the Trustee, the stay immediately shall be lifted upon the entry of an order of the U.S. Bankruptcy Court approving this stipulation and motion.

25. Trustee Reserves all Other Objections--At this stage of his investigation of the Debtor's estate, the Trustee is not yet willing to stipulate to waive any of the Debtor's other objections to the DOGM Findings as applied to the Debtor. As the Trustee's investigation proceeds, however, it is possible that the Trustee may be willing to stipulate to all or some of the other DOGM Findings."

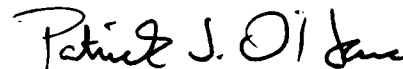
Under Rule 8002 of the U.S. Bankruptcy Rules, a party in interest must appeal, if at all, from the Order by no later than Thursday, November 5, 1998. Since DOGM, the Board and the Trustee were able to resolve the objection filed by Western States Minerals Corp.

("Western") by adopting the court-approved Clarifying Addendum to the First Stipulation, and since no other party objected, an appeal from the Order is most unlikely.

Neither JMC's bankruptcy Trustee nor Western has agreed to a reclamation claim by DOGM against the JMC Chapter 7 bankruptcy estate for an amount any greater than the forfeited bond amount (which is about \$162,000), but DOGM has reserved the right to litigate a Proof of Claim against the JMC estate for about \$1.175 million more than the forfeited bond amount. The Board, of course, will not weigh-in on the merits of this unresolved dispute unless and until it holds a proper hearing. The First Stipulation and the Clarifying Addendum as approved by Judge Monroe make clear that it is possible that an evidentiary hearing will still need to be held before the Board in Utah or by the Bankruptcy Court in Texas to establish the total amount of DOGM's allowed claim. The court has approved a procedure proposed by the parties to address how and when those further Board and/or Bankruptcy Court proceedings shall go forward if the parties do not otherwise compromise and settle their differences. Dan Moquin can advise you and your staff at DOGM on the particular technical points in the court-approved First Stipulation and Clarifying Addendum, including all applicable deadlines.

As my status report to the entire Board, please include a copy of this letter in the December 1998 Board Hearing materials.

Very truly yours,



Patrick J. O'Hara
Assistant Attorney General

Encl.

cc: (w/encl)

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UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

FILED

OCT 26 1998

U.S. BANKRUPTCY COURT
BY DEPUTY

In re

JUMBO MINING COMPANY,
a Texas corporation,

Debtor.

CASE NO. 97-14326 FM
Chapter 7

AGREED ORDER APPROVING
FIRST STIPULATION AND MOTION BY THE TRUSTEE AND THE UTAH DIVISION &
BOARD OF OIL, GAS & MINING FOR AN ORDER PERTAINING TO THE
DRUM MINE IN UTAH (WITH A PROOF OF CLAIM)


CAME ON this day for consideration the *First Stipulation And Motion By The Trustee And The Utah Division & Board Of Oil, Gas & Mining For An Order Pertaining To The Drum Mine In Utah (With A Proof Of Claim)*, and the court finding (i) that the stipulation and motion have been made by the joint movants, (ii) that no party in interest has objected except for Western States Mineral Corporation ("Western"), and (iii) that Western has withdrawn its objection in that certain *Clarifying Addendum To First Stipulation And Motion By The Trustee And The Utah Division & Board Of Oil, Gas & Mining For An Order Pertaining To The Drum Mine In Utah (With Proof Of Claim)* filed in this case, it is therefore

ORDERED that the *First Stipulation And Motion By The Trustee And The Utah Division & Board Of Oil, Gas & Mining For An Order Pertaining To The Drum Mine In Utah (With A Proof Of Claim)* as modified by that certain *Clarifying Addendum To First Stipulation And Motion By The Trustee And The Utah Division & Board Of Oil, Gas & Mining For An Order Pertaining To The Drum Mine In Utah (With Proof Of Claim)*, is approved according to its terms.

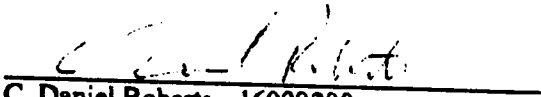
DATED: Oct. 26, 1998.

FRANK R. MONROE
FRANK R. MONROE
U. S. BANKRUPTCY JUDGE

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mc
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